

SCHLESWIG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Schleswig Community School District in Schleswig, Iowa.

The District's revenues totaled \$3,043,524 for the year ended June 30, 2008, a 6.8% increase from the prior year. Revenues included \$1,185,615 in unrestricted state grants, \$970,836 in property tax, \$171,608 in local option sales and services tax, \$381,005 in operating grants, contributions and restricted interest, \$267,021 in charges for service, and \$67,439 in unrestricted interest.

Expenses for District operations totaled \$2,823,168, a 0.56% decrease from the prior year. Expenses included \$1,319,900 for regular instruction, \$380,036 for special instruction, and \$370,817 for administrative services.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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# Schleswig Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 Election)</b>		
Todd Schultz	President	2007
Rhonda Nemitz	Board Member	2008
Alan Weiss	Board Member	2009
Doris Nahnsen	Board Member	2009
Andrea Gurney	Board Member	2008
<b>Board of Education (After September 2007 Election)</b>		
Todd Schultz	President	2010
Rhonda Nemitz	Board Member	2008
Alan Weiss	Board Member	2009
Andrea Gurney	Board Member	2008
Doris Nahnsen	Board Member	2009
<b>School Officials</b>		
Jack Johnson	Superintendent	2008
Sherri Jones	District Secretary	2008
Vanessa Zimmer	District Treasurer	2008
Mundt, Franck & Schumacher	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Schleswig Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Schleswig Community School District, Schleswig, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schleswig Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2009 on our consideration of Schleswig Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schleswig Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Schleswig Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,435,891 in fiscal 2007 to \$2,628,849 in fiscal 2008, while General Fund expenditures increased from \$2,486,692 in fiscal 2007 to \$2,525,915 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$364,174 in fiscal 2007 to a balance of \$455,442 in fiscal 2008, a 25.06% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in the instruction functional area.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Schleswig Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Schleswig Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Schleswig Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Schleswig Community School District Annual Financial Report**

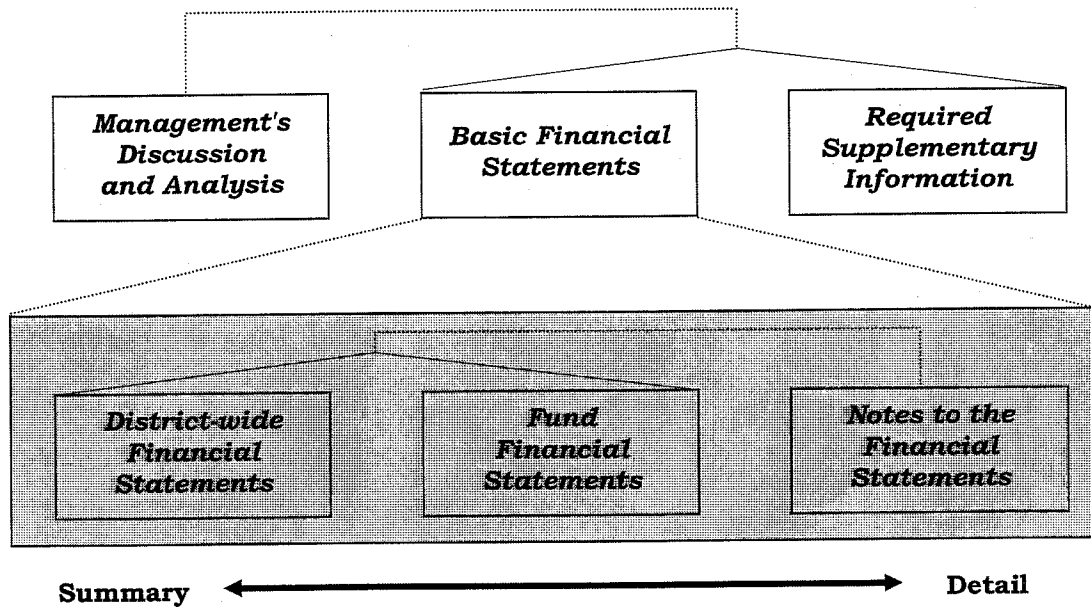




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,168,784	2,733,988	8,481	4,453	3,177,265	2,738,441	16.02%
Capital assets	479,356	483,197	23,735	26,823	503,091	510,020	-1.36%
Total assets	3,648,140	3,217,185	32,216	31,276	3,680,356	3,248,461	13.30%
Other liabilities	2,183,646	1,972,878	1,074	303	2,184,720	1,973,181	10.72%
Total liabilities	2,183,646	1,972,878	1,074	303	2,184,720	1,973,181	10.72%
Net assets:							
Invested in capital assets, net of related debt	479,356	483,197	23,735	26,823	503,091	510,020	-1.36%
Restricted	523,665	372,443	0	0	523,665	372,443	40.60%
Unrestricted	461,473	388,667	7,407	4,150	468,880	392,817	19.36%
Total net assets	\$ 1,464,494	1,244,307	31,142	30,973	1,495,636	1,275,280	17.28%

The District's combined net assets increased by 17.28%, or \$220,356, under the prior year. The largest portion of the District's net assets is the unrestricted net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$151,222 or 40.60% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$76,063, or 19.36%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 205,349	201,225	61,672	50,685	267,021	251,910	6.00%
Operating grants and contributions and restricted interest	330,677	302,638	50,328	44,618	381,005	347,256	9.72%
General revenues:							
Property tax	970,836	841,314	0	0	970,836	841,314	15.40%
Local option sales and services tax	171,608	196,331	0	0	171,608	196,331	-12.59%
Unrestricted state grants	1,185,615	1,180,168	0	0	1,185,615	1,180,168	0.46%
Other general revenues	67,283	32,352	156	306	67,439	32,658	106.50%
Transfers	(11,666)	(10,417)	11,666	10,417	0	0	0.00%
Total revenues and transfers	2,919,702	2,743,611	123,822	106,026	3,043,524	2,849,637	6.80%
Program expenses:							
Governmental activities:							
Instructional	1,738,626	1,764,786	0	0	1,738,626	1,764,786	-1.48%
Support services	807,390	768,209	34	266	807,424	768,475	5.07%
Non-instructional programs	0	0	123,619	110,886	123,619	110,886	11.48%
Other expenses	153,499	194,950	0	0	153,499	194,950	-21.26%
Total expenses	2,699,515	2,727,945	123,653	111,152	2,823,168	2,839,097	-0.56%
Changes in net assets	220,187	15,666	169	(5,126)	220,356	10,540	95.22%
Beginning net assets	1,244,307	1,228,641	30,973	36,099	1,275,280	1,264,740	0.83%
Ending net assets	\$ 1,464,494	1,244,307	31,142	30,973	1,495,636	1,275,280	17.28%

Property tax and unrestricted state grants account for 70.83% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90.18% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels was caused by an increase in facilities acquisitions expenditures.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs.

### Governmental Activities

Revenues for governmental activities were \$2,919,702 and expenses were \$2,699,515. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,738,626	1,764,786	-1.48%	1,308,150	1,359,034	-3.74%
Support services	807,390	768,209	5.10%	803,897	764,000	5.22%
Other expenses	153,499	194,950	-21.26%	51,442	101,048	-49.09%
Totals	<u>\$ 2,699,515</u>	<u>2,727,945</u>	<u>-1.04%</u>	<u>2,163,489</u>	<u>2,224,082</u>	<u>-2.72%</u>

- The cost financed by users of the District's programs was \$205,349.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$330,677.
- The net cost of governmental activities was financed with \$970,836 in property tax, \$171,608 in local option sales and services tax, \$1,185,615 in unrestricted state grants and \$67,283 in interest income.

### Business-Type Activities

Revenues of the District's business-type activities were \$123,822 and expenses were \$123,653. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Schleswig Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$926,270, above last year's ending fund balances of \$702,571. The primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the General Fund balance.

## **Governmental Fund Highlights**

- The District's improving General Fund financial position is the product of many factors:
- The increase in revenues was enough to offset the increase in expenditures over the prior fiscal year causing the General Fund balance to increase.
- The Local Option Sales and Services Tax (LOSST) Fund balance increased from \$148,533 in fiscal 2007 to \$232,896 in fiscal 2008. This increase was partially due to decreased support services expenditures as compared to the previous year.

## **Proprietary Fund Highlights**

The Proprietary Funds net assets increased from \$30,973 at June 30, 2007 to \$31,142 at June 30, 2008, representing an increase of 0.55%. The reason for the increase in net assets was due to the School Nutrition Fund receiving more in local sources of revenue.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$99,469 less than budgeted revenues, a variance of 3.17%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had invested \$503,091, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.36% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$52,536.

The original cost of the District's capital assets was \$1,558,718. Governmental funds account for \$1,487,767 with the remainder of \$70,951 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$112,650 at June 30, 2008, compared to \$148,235 reported at June 30, 2007. This decrease was due mainly in part to the depreciation expense during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 117,443	117,443	0	0	117,443	117,443	0.00%
Land improvements	48,714	51,580	0	0	48,714	51,580	-5.88%
Buildings	224,284	192,762	0	0	224,284	192,762	14.05%
Machinery and equipment	88,915	121,412	23,735	26,823	112,650	148,235	-31.59%
Total	\$ 479,356	483,197	23,735	26,823	503,091	510,020	-1.36%

### Long-Term Debt

At June 30, 2008, the District did not have any long-term debt.

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Continued budget concerns at the state level will affect future projections.
- The apparent increased costs of gasoline/diesel fuel will also impact the District's efforts to control expenditures.
- The Denison and Schleswig Community School Districts have an agreement that will expire June 30, 2011, in which Schleswig Community School District will pay 81% of the regular program district cost, plus 100% of the SILO dollars for the students that will be attending Denison under the sharing agreement.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherri Jones, Business Manager, Schleswig Community School District, 714 Date Street, Schleswig, Iowa, 51461.

BASIC FINANCIAL STATEMENTS



SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 912,426	0	912,426
Other	1,021,512	4,179	1,025,691
Receivables:			
Property tax:			
Delinquent	13,684	0	13,684
Succeeding year	1,046,358	0	1,046,358
Income surtax	58,868	0	58,868
Accounts	1,000	83	1,083
Accrued interest - ISCAP (Note 5)	6,181	0	6,181
Due from other governments	108,755	0	108,755
Inventories	0	4,219	4,219
Capital assets, net of accumulated depreciation (Note 6)	479,356	23,735	503,091
<b>TOTAL ASSETS</b>	<b>3,648,140</b>	<b>32,216</b>	<b>3,680,356</b>
<b>LIABILITIES</b>			
Accounts payable	66,407	0	66,407
Salaries and benefits payable	146,942	0	146,942
ISCAP warrants payable (Note 5)	907,000	0	907,000
ISCAP accrued interest payable (Note 5)	6,078	0	6,078
ISCAP unamortized premium	10,861	0	10,861
Deferred revenue:			
Succeeding year property tax	1,046,358	0	1,046,358
Unearned revenue	0	1,074	1,074
<b>TOTAL LIABILITIES</b>	<b>2,183,646</b>	<b>1,074</b>	<b>2,184,720</b>
<b>NET ASSETS</b>			
Invested in capital assets	479,356	23,735	503,091
Restricted for:			
Talented and gifted	47,149	0	47,149
Professional development	4,750	0	4,750
Market factor incentives	938	0	938
Capital projects	232,896	0	232,896
Management levy	93,268	0	93,268
Physical plant and equipment levy	143,231	0	143,231
Other special revenue purposes	1,433	0	1,433
Unrestricted	461,473	7,407	468,880
<b>TOTAL NET ASSETS</b>	<b>\$ 1,464,494</b>	<b>31,142</b>	<b>1,495,636</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,319,900	113,346	209,566	(996,988)	0
Special instruction	380,036	34,348	15,561	(330,127)	0
Other instruction	38,690	57,655	0	18,965	0
	<u>1,738,626</u>	<u>205,349</u>	<u>225,127</u>	<u>(1,308,150)</u>	<u>0</u>
Support services:					
Student services	58,582	0	0	(58,582)	0
Instructional staff services	46,650	0	0	(46,650)	0
Administration services	370,817	0	0	(370,817)	0
Operation and maintenance of plant services	209,147	0	0	(209,147)	0
Transportation services	122,194	0	3,493	(118,701)	0
	<u>807,390</u>	<u>0</u>	<u>3,493</u>	<u>(803,897)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	34,491	0	0	(34,491)	0
AEA flowthrough	102,057	0	102,057	0	0
Depreciation(unallocated)*	16,951	0	0	(16,951)	0
	<u>153,499</u>	<u>0</u>	<u>102,057</u>	<u>(51,442)</u>	<u>0</u>
Total governmental activities	2,699,515	205,349	330,677	(2,163,489)	0
Business-Type activities:					
Support services:					
Operation and maintenance of plant services	34	0	0	0	(34)
Non-instructional programs:					
Nutrition services	123,619	61,672	50,328	0	(11,619)
Total business-type activities	<u>123,653</u>	<u>61,672</u>	<u>50,328</u>	<u>0</u>	<u>(11,653)</u>
Total	<u>\$ 2,823,168</u>	<u>267,021</u>	<u>381,005</u>	<u>(2,163,489)</u>	<u>(11,653)</u>
General Revenues and Transfers:					
Local tax for:					
General purposes				\$ 909,884	0
Capital outlay				60,952	0
Local option sales and services tax				171,608	0
Unrestricted state grants				1,185,615	0
Unrestricted investment earnings				67,283	156
Transfers				(11,666)	11,666
Total general revenues and transfers				<u>2,383,676</u>	<u>11,822</u>
Changes in net assets				220,187	169
Net assets beginning of year				1,244,307	30,973
Net assets end of year				<u>\$ 1,464,494</u>	<u>31,142</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments				
ISCAP (Note 5)	\$ 912,426	0	0	912,426
Other	567,155	212,793	241,564	1,021,512
Receivables:				
Property tax:				
Delinquent	12,316	0	1,368	13,684
Succeeding year	998,099	0	48,259	1,046,358
Income surtax	58,868	0	0	58,868
Interfund	5,000	0	0	5,000
Accounts	1,000	0	0	1,000
Accrued interest - ISCAP (Note 5)	6,180	0	0	6,180
Due from other governments	57,093	51,663	0	108,756
<b>TOTAL ASSETS</b>	<b>\$ 2,618,137</b>	<b>264,456</b>	<b>291,191</b>	<b>3,173,784</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 0	0	5,000	5,000
Accounts payable	34,847	31,560	0	66,407
Salaries and benefits payable	146,942	0	0	146,942
ISCAP warrants payable (Note 5)	907,000	0	0	907,000
ISCAP accrued interest payable (Note 5)	6,078	0	0	6,078
ISCAP unamortized premium	10,861	0	0	10,861
Deferred revenue:				
Succeeding year property tax	998,099	0	48,259	1,046,358
Income surtax	58,868	0	0	58,868
Total liabilities	2,162,695	31,560	53,259	2,247,514
Fund balances:				
Reserved for:				
Talented and gifted	47,150	0	0	47,150
Professional development	4,750	0	0	4,750
Market factor incentives	938	0	0	938
Unreserved, designated:				
Designated for cashflow	300,000	0	0	300,000
Unreserved, undesignated:				
General	102,604	0	0	102,604
Management	0	0	93,268	93,268
Capital Projects	0	232,896	0	232,896
Physical plant and equipment levy	0	0	143,231	143,231
Other special revenue purposes	0	0	1,433	1,433
Total fund balances	455,442	232,896	237,932	926,270
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,618,137</b>	<b>264,456</b>	<b>291,191</b>	<b>3,173,784</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 926,270
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	479,356
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	<u>58,868</u>
Net assets of governmental activites (page 13)	<u><u>\$ 1,464,494</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 879,564	171,608	90,943	1,142,115
Tuition	147,694	0	0	147,694
Other	85,364	0	39,574	124,938
State sources	1,436,323	0	65	1,436,388
Federal sources	79,904	0	0	79,904
Total revenues	2,628,849	171,608	130,582	2,931,039
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,309,050	0	10,850	1,319,900
Special instruction	373,780	0	0	373,780
Other instruction	0	0	38,690	38,690
	1,682,830	0	49,540	1,732,370
Support services:				
Student services	58,582	0	0	58,582
Instructional staff services	29,391	10,078	7,181	46,650
Administration services	370,817	0	0	370,817
Operation and maintenance of plant services	187,799	0	15,054	202,853
Transportation services	94,439	0	7,808	102,247
	741,028	10,078	30,043	781,149
Other expenditures:				
Facilities acquisitions	0	77,167	2,931	80,098
AEA flowthrough	102,057	0	0	102,057
	102,057	77,167	2,931	182,155
Total expenditures	2,525,915	87,245	82,514	2,695,674
Excess of revenues over expenditures	102,934	84,363	48,068	235,365
Other financing uses:				
Transfers out	(11,666)	0	0	(11,666)
Total other financing uses	(11,666)	0	0	(11,666)
Net change in fund balances	91,268	84,363	48,068	223,699
Fund balance beginning of year	364,174	148,533	189,864	702,571
Fund balance end of year	\$ 455,442	232,896	237,932	926,270

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 223,699

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 45,607	
Depreciation expense	<u>(49,448)</u>	(3,841)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

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Changes in net assets of governmental activities (page 14) \$ 220,187

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 4,179
Accounts receivable	83
Inventories	4,219
Capital assets, net of accumulated depreciation (Note 6)	23,735
TOTAL ASSETS	<u>32,216</u>
LIABILITIES	
Unearned revenue	1,074
TOTAL LIABILITIES	<u>1,074</u>
NET ASSETS	
Invested in capital assets	23,735
Unrestricted	7,407
TOTAL NET ASSETS	<u>\$ 31,142</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 61,589</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Supplies	<u>34</u>
Non-instructional programs:	
Salaries	48,116
Benefits	6,550
Services	3,134
Supplies	62,672
Other	59
Depreciation	3,088
	<u>123,619</u>
TOTAL OPERATING EXPENSES	<u>123,653</u>
OPERATING LOSS	<u>(62,064)</u>
NON-OPERATING REVENUES:	
State sources	1,404
Federal sources	49,007
Interest on investments	156
TOTAL NON-OPERATING REVENUES	<u>50,567</u>
Net loss before other financing sources	<u>(11,497)</u>
OTHER FINANCING SOURCES:	
Transfer in	<u>11,666</u>
Change in net assets	169
Net assets beginning of year	<u>30,973</u>
Net assets end of year	<u><u>\$ 31,142</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.



SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 49,390
Cash received from miscellaneous	12,971
Cash payments to employees for services	(54,666)
Cash payments to suppliers for goods or services	(61,533)
Net cash used in operating activities	<u>(53,838)</u>
Cash flows from non-capital financing activities:	
State grants received	1,404
Federal grants received	44,644
Net cash provided by non-capital financing activities	<u>46,048</u>
Cash flows from investing and other activities:	
Transfer from General Fund	11,666
Interest on investments	156
Net cash provided by investing and other activities	<u>11,822</u>
Net decrease in cash and cash equivalents	4,032
Cash and cash equivalents at beginning of year	<u>147</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,179</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,064)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	4,280
Depreciation	3,088
Decrease in inventories	87
Increase in unearned revenue	771
Net cash used in operating activities	<u><u>\$ (53,838)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 4,179</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$4,280.

SEE NOTES TO FINANCIAL STATEMENTS.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2008

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 2,770</u>
Total assets	<u><u>\$ 2,770</u></u>
Liabilities	
Due to other funds	<u>\$ 2,770</u>
Total liabilities	<u><u>\$ 2,770</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

# SCHLESWIG COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### (1) Summary of Significant Accounting Policies

The Schleswig Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Schleswig, Iowa, and the predominate agricultural territory in Crawford and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Schleswig Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Schleswig Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Crawford and Ida Counties Assessors' Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in

nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,400
Buildings	1,400
Land improvements	1,400
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,400

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Designated For Special Purposes by the Board - In the governmental fund financial statements, the District's board designated \$300,000 of the General Fund's unreserved balance for special purposes by the Board.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures did exceed in the non-instructional area.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2008, the District had investments in certificates of Deposit maturing over one year as follows:

	<u>Fair Value</u>
Certificates of deposit	<u>\$ 333,765</u>



**(3) Transfers**

The detail of transfers for the year ended June 30, 2008, is as follows:

Transfer to	Transfer from	Amount
Nutrition	General	<u>\$ 11,666</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Activity	<u>\$ 5,000</u>

The Activity Fund is repaying the General Fund for funds that were borrowed during the year.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 399,278	5,986	398,000	5,929
2008-09A	6/26/08	6/25/09	513,148	195	509,000	149
Total			<u>\$ 912,426</u>	<u>6,181</u>	<u>907,000</u>	<u>6,078</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately

following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	75,000	75,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 117,443	0	0	117,443
Total capital assets not being depreciated	117,443	0	0	117,443
Capital assets being depreciated:				
Land improvements	57,311	0	0	57,311
Buildings and improvements	751,464	45,607	0	797,071
Machinery and equipment	515,942	0	0	515,942
Total capital assets being depreciated	1,324,717	45,607	0	1,370,324
Less accumulated depreciation for:				
Land improvements	5,731	2,866	0	8,597
Buildings and improvements	558,702	14,085	0	572,787
Machinery and equipment	394,530	32,497	0	427,027
Total accumulated depreciation	958,963	49,448	0	1,008,411
Total capital assets being depreciated, net	365,754	(3,841)	0	361,913
Governmental activities capital assets, net	\$ 483,197	(3,841)	0	479,356

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 70,951	0	0	70,951
Less accumulated depreciation	44,128	3,088	0	47,216
Business-type activities capital assets, net	<u>\$ 26,823</u>	<u>(3,088)</u>	<u>0</u>	<u>23,735</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Special	\$ 6,256
Support services:	
Operation and maintenance of plant	6,294
Transportation	19,947
	<u>32,497</u>
Unallocated depreciation	<u>16,951</u>
Total governmental activities depreciation expense	<u>\$ 49,448</u>
Business-type activities:	
Food service operations	\$ 3,088
Total business-type activities depreciation expense	<u>\$ 3,088</u>

#### (7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$73,129, \$67,982, and \$67,922, respectively, equal to the required contributions for each year.

#### (8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: long term disability and health.

District contributions to ISEBA for the year ended June 30, 2008 were \$128,970.

Schleswig Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$102,057 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the non-instructional functional areas exceeded the budgeted amount.

REQUIRED SUPPLEMENTARY INFORMATION

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,414,747	61,745	1,476,492	1,527,077	1,527,077	(50,585)
State sources	1,436,388	1,404	1,437,792	1,508,587	1,508,587	(70,795)
Federal sources	79,904	49,007	128,911	107,000	107,000	21,911
Total revenues	2,931,039	112,156	3,043,195	3,142,664	3,142,664	(99,469)
Expenditures:						
Instruction	1,732,370	0	1,732,370	2,454,070	2,454,070	721,700
Support services	781,149	34	781,183	1,083,500	1,083,500	302,317
Non-instructional programs	0	123,619	123,619	111,900	111,900	(11,719)
Other expenditures	182,155	0	182,155	374,776	374,776	192,621
Total expenditures	2,695,674	123,653	2,819,327	4,024,246	4,024,246	1,204,919
Excess (deficiency) of revenues over (under) expenditures	235,365	(11,497)	223,868	(881,582)	(881,582)	1,105,450
Other financing sources, net	(11,666)	11,666	0	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	223,699	169	223,868	(881,582)	(881,582)	1,105,450
Balance beginning of year	702,571	30,973	733,544	873,884	873,884	(140,340)
Balance end of year	\$ 926,270	31,142	957,412	(7,698)	(7,698)	965,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the non-instructional functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION



SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
ASSETS				
Cash and pooled investments	\$ 92,814	6,433	142,317	241,564
Receivables:				
Property tax:				
Current year delinquent	454	0	914	1,368
Succeeding year	20,000	0	28,259	48,259
TOTAL ASSETS	\$ 113,268	6,433	171,490	291,191
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	5,000	0	5,000
Deferred revenue:				
Succeeding year property tax	20,000	0	28,259	48,259
	20,000	5,000	28,259	53,259
Fund balances:				
Unreserved:				
Undesignated	93,268	1,433	143,231	237,932
Total fund balances	93,268	1,433	143,231	237,932
TOTAL LIABILITIES AND FUND BALANCES	\$ 113,268	6,433	171,490	291,191

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
REVENUES:				
Local sources:				
Local tax	\$ 29,991	0	60,952	90,943
Other	3,897	32,058	3,619	39,574
State sources	22	0	43	65
TOTAL REVENUES	33,910	32,058	64,614	130,582
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	10,850	0	0	10,850
Other instruction	0	38,690	0	38,690
Support services:				
Instructional staff	0	0	7,181	7,181
Operation and maintenance of plant services	15,054	0	0	15,054
Student transportation	4,851	2,957	0	7,808
Other expenditures:				
Facilities acquisitions	0	0	2,931	2,931
TOTAL EXPENDITURES	30,755	41,647	10,112	82,514
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,155	(9,589)	54,502	48,068
FUND BALANCE BEGINNING OF YEAR	90,113	11,022	88,729	189,864
FUND BALANCE END OF YEAR	\$ 93,268	1,433	143,231	237,932

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Fund Balance	\$ 23	0	5,000	(4,977)
Vocal Music	(11,899)	0	3,303	(15,202)
Instrumental Music	48	0	336	(288)
M.S. Athletics	(30,458)	0	5,732	(36,190)
M.S. Student Council	147	154	224	77
School Annual	1,985	350	82	2,253
Music Boosters	788	0	0	788
Athletic Boosters	24,260	4,556	2,848	25,968
Student Projects	19,038	26,758	24,122	21,674
Old High School Clubs	4,162	0	0	4,162
Activity Fund Savings	2,928	240	0	3,168
Total	\$ 11,022	32,058	41,647	1,433

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## SCHLESWIG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 2,770	0	0	2,770
Liabilities				
Due to other groups	\$ 2,770	0	0	2,770

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	1,142,115	1,016,989	958,018	929,644	1,055,373
Tuition		147,694	131,973	147,746	198,439	139,342
Other		124,938	101,604	66,629	73,116	73,970
State sources		1,436,388	1,394,467	1,237,317	1,131,112	1,014,565
Federal sources		79,904	88,339	95,222	99,873	97,528
Total	\$	2,931,039	2,733,372	2,504,932	2,432,184	2,380,778
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	1,319,900	1,276,644	1,231,717	1,274,540	1,178,714
Special instruction		373,780	375,520	354,991	347,318	280,686
Other instruction		38,690	103,509	35,509	119,888	52,749
Support services:						
Student services		58,582	53,657	47,901	55,241	48,217
Instructional staff services		46,650	53,854	46,261	60,903	52,280
Administration services		370,817	352,064	385,258	300,450	322,592
Operation and maintenance of plant services		202,853	172,668	205,128	166,354	171,970
Transportation services		102,247	154,354	105,974	95,190	92,954
Central services		0	0	0	0	20,757
Other expenditures:						
Facilities acquisitions		80,098	144,114	86,792	87,756	88,997
AEA flow-through		102,057	93,902	85,438	84,987	85,214
Total	\$	2,695,674	2,780,286	2,584,969	2,592,627	2,395,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Schleswig Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Schleswig Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schleswig Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Schleswig Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Schleswig Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Schleswig Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Schleswig Community School District's financial statements that is more than inconsequential will not be prevented or detected by Schleswig Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Schleswig Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schleswig Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Schleswig Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Schleswig Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Schleswig Community School District and other parties to whom Schleswig Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Schleswig Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement controls where deemed possible.

Conclusion - Response accepted.

- I-B-08 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliation which have been outstanding for over a year.

Recommendation - The District should forward these checks to the Treasurer of Iowa after the prescribed length of time.

Response - We will take appropriate steps to comply.

Conclusion - Response accepted

- I-C-08 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We have already made changes.

Conclusion - Response accepted

- I-D-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.



Response - We will take appropriate steps to comply.

Conclusion - Response accepted.

- I-E-08 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place stating that employees seeking travel reimbursement for expenses other than mileage must turn in a detailed receipt. The District should follow their policy and require detailed receipts before expenses are reimbursed.

Response - We will take appropriate steps to comply.

Conclusion - Response accepted.

- I-F-08 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District purchased DVD-ROM's, LCD monitors, and memory which were below the single unit price of \$500.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa. We also recommend that a corrective transfer of \$3,140.24 be made from the General fund to the PPEL fund.

Response - We will comply and make the necessary transfers.

Conclusion - Response accepted.

SCHLESWIG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 exceeded the amount budgeted in the non-instructional functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will amend our budget should our expenditures exceed our budget.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

- II-J-08 Deficit Balances - Four individual accounts within the Student Activity Fund had deficit balances of \$56,657 at June 30, 2008.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Account balances will be reviewed on a regular basis to eliminate deficits in the Activity Fund.

Conclusion - Response accepted.